



EXECUTIVE SUMMARY



Fee Structure, Billing Methodology, Productivity, and Organizational Structure Review

Purpose of the Review

In the 2018 supplemental operating budget, the Washington State Office of Administrative Hearings (OAH) received funding to conduct a review in collaboration with the Office of Financial Management (OFM), of the fee structure, billing methodology, and assumptions about productivity which impact billing and fee structure. The study reviewed promising practices for fees, billing methodology, productivity, and organizational structures and processes that support efficiencies.

Summary of Review Results

Prior to OAH's creation, most disputes that a citizen or business had with agencies' decisions were resolved within the decision-making agency. OAH was created in 1981 by the Washington State Legislature as a centralized decision-making agency, or central panel adjudicatory agency, to independently resolve administrative disputes through accessible, fair, prompt processes and issuance of sound decisions. This remains OAH's mission today.

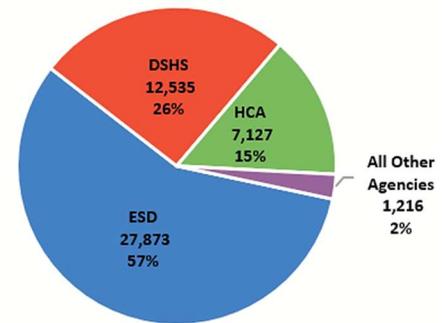
OAH can receive caseloads from over 260 different programs, requiring an understanding of a multitude of applicable laws.

OAH received over 48,000 cases in calendar year (CY) 2018 from 25 different state and local agencies representing 130 different programs.

Employment Security Department, Department of Social and Health Services, and the Health Care Authority make up 98% of the OAH caseload. The other 2% is made up of a variety of programs and caseloads from many different agencies. This variation in caseload requires an understanding of the applicable laws and required administrative timelines associated with each agency and individual program.

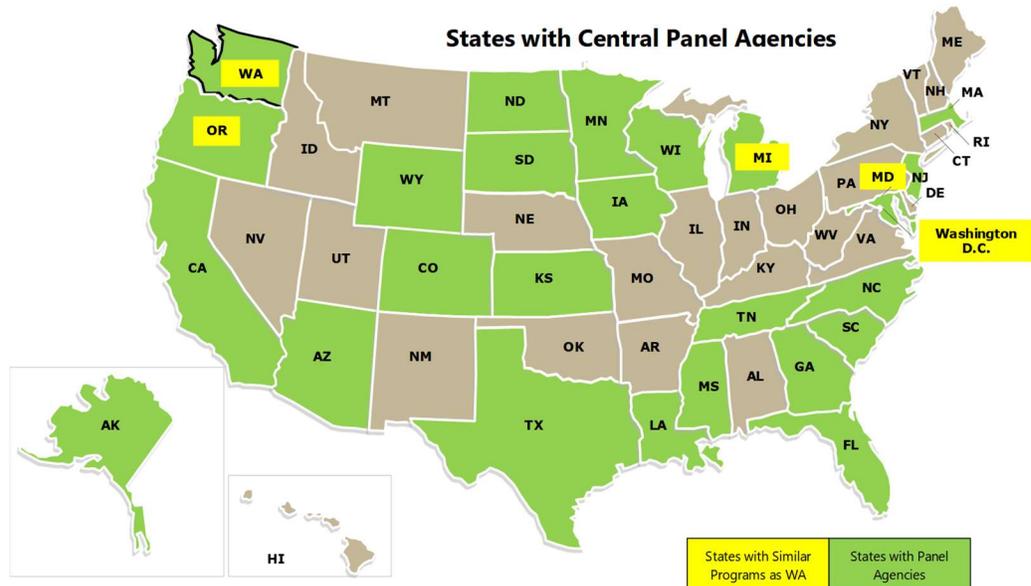
OAH Cases Received in CY 2018

48,751 total cases



Washington State is one of 25 states and one federal district which have a central panel adjudicatory agency (shown in green on the map). Michigan, Maryland, Washington, Oregon, and the District of Columbia all carry caseloads for child support, unemployment insurance, Medicaid, public assistance, and special education (marked in yellow). The other 21 states have a variation of these type of caseloads. Central panel adjudicatory agencies in six states including Washington handle unemployment insurance appeals.

Twenty-five states and a federal district use a central panel adjudicatory agency approach to appeals.

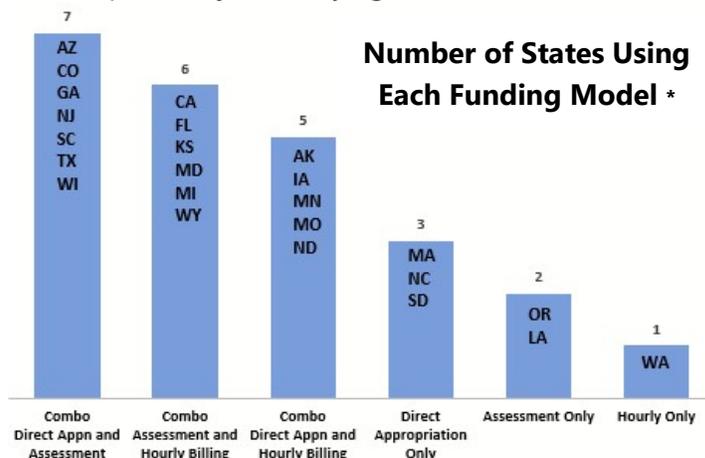


Only Washington State relies 100% on an hourly rate for funding when compared to the other central panel adjudicatory agencies.

There are three funding models used for central panel adjudicatory agencies:

- a direct appropriation of general fund or special revenue funds;
- an assessment to referring agencies; or
- an hourly billing to referring agencies.

Almost all states use a combination of funding methods depending on the appeal workload they carry. Sixty percent of states receive a direct appropriation to fund at least part of their operations.



* One state did not report their funding methodology for this review.

The current rate structure is difficult for staff and stakeholders to understand.

There is a perception of the lack of impartiality and fairness when referring agencies are billed directly for OAH services. No matter which funding methodology is chosen, states usually require central panel agencies to keep track of hours worked per case, so they can forecast future workloads and meet requirements for state and federal reporting. In Washington, direct general fund appropriations put agencies in competition for limited general fund state resources. A non-appropriated OAH account could strengthen the public's perception of OAH's independence and would provide the flexibility to quickly respond to spikes in workload.

OAH currently uses three cost pools for rates. There is confusion amongst staff and stakeholders on what costs are included in each pool. Opportunities for OAH to improve its fee structure and billing include:

- Determining the appropriate direct costs to charge agencies for adjudication of appeals and the shared indirect or overhead costs.
- Integrating the shared indirect or overhead costs into the hourly rates for the Administrative Law Judge (ALJs) and the legal professional support staff.
- Categorizing the budget so actual expenditures can be tracked against the assumptions in the rates.
- Developing communication and education material to explain what is included in the rate and how costs will be tracked.

The fee structure should also establish rates that would allow OAH to build up a 60-day working capital reserve to cover expenditures from one billing period to the next.

Staff and leaders wear multiple hats, crossing many skill levels and fields of expertise.

A lack of resources has been a major barrier to addressing efficiency improvements recommended to OAH from previous reviews. Leaders and staff have an overwhelming set of responsibilities, often outside their areas of expertise. OAH has limited capacity and few resources to fill even some of the most common operational support roles that other similarly sized organizations have authority and budget to fill. Increased and targeted capacity in key roles will benefit OAH overall and improve its ability to meet the varied stakeholder demands.

RECOMMENDATIONS IN BRIEF

The report provides 63 recommendations, some short-term and others long-term, designed to ensure the agency's success. The recommendations include:

- Increasing capacity and expertise to adequately and effectively manage agency operations.
- Setting rates high enough to generate enough revenues to build up a 60-day working capital reserve.
- Examining the rate structure to ensure the appropriate allocation of direct and indirect or overhead costs and integrating those costs into the fee structure.
- Creating an agency advisory committee to work directly with stakeholders to increase transparency.
- Changing the administrative revolving fund from appropriated to a non-appropriated, but allotted fund.